

~~SECRET~~  
Security Information  
US OFFICIALS ONLY

ING/FR (DRAFT)

FIRST ANNUAL PROGRESS REPORT OF THE ING

August 1952 - July 1953

I. Authority for the Intelligence Working Group

The Director of Central Intelligence approved the proposal of the Director for Mutual Security and the Secretary of State for the establishment of an Intelligence Working Group (IWG) for direct intelligence support of the Economic Defense Advisory Committee (EDAC). The proposal was endorsed by the Secretary of Defense. IWG Terms of Reference were approved by the Intelligence Advisory Committee on 25 July 1952 (IAC-D-53/1), amended by IAC-D-53/3.1 of 25 February 1953.

II. Organization of the Intelligence Working Group

The IWG is composed of members from the intelligence sectors of the Departments of State, Army, Navy, and Air Force, and the Central Intelligence Agency. Associate membership is held by the Office of the Administrator for Mutual Defense Assistance Control of the Foreign Operations Administration, the Office of the Secretary of Defense, the Foreign Operations Administration, and the Departments of State (Economic Defense Staff and Office of Munitions Control), Commerce and Treasury. Any other agency having interest or competence in the field of economic defense intelligence may be invited to sit with the Group. CIA/RR provides the

~~SECRET~~  
US OFFICIALS ONLY

~~Security Information~~  
US OFFICIALS ONLY

I/G/R- (DRAFT)

Chairman and the Executive Secretary.

During the past year, fourteen subgroups were established to provide I/G with specialized research and technical advice in specific fields of economic defense. Five of the subgroups are currently operative. The others have completed their assignments.

### III. Relationship between I/G and EIC

The I/G is unique within the U.S. Government in acting as an inter-agency service facility for the review, coordination, and production of timely economic intelligence which is not exclusively within the mission or responsibilities of any existing agency or interagency groups. Its intelligence production is directly applicable to current or impending problems of economic defense policy or operations. It does not engage in long-range or fundamental research. The role of the I/G differs, therefore, from that of the Economic Intelligence Committee (EIC) which is responsible for "fundamental economic research...relating to the national security." The I/G looks to the EIC and other research facilities for basic research papers.

### IV. Responsibilities and Accomplishments of the I/G

The major responsibilities placed upon the I/G under its Terms of Reference, together with an indication of the I/G's progress in the past year in meeting these responsibilities, are outlined below. As stated in its Terms of Reference, the "purpose of the I/G shall be to develop and furnish intelligence to the EDAC for policy making and operations in the

- 2 -

~~Security Information~~  
US OFFICIALS ONLY

Security Information  
US OFFICIALS ONLY

IWC/R- (DRAFT)

economic defense field....and to develop closer continuous relationships among the operational, policy-formulation and intelligence-research elements engaged in the economic defense program." A list of all subjects which have been formally placed before the IWC for consideration are found in Tab A. Most of these cases resulted in the preparation of papers (listed in Tab B) which have been furnished to EDAC components.

A. Responsibility: Prepare or arrange for the preparation of reports which present the best available economic intelligence on problems of concern to the EDAC.

Progress: The IWC has prepared twenty-one papers involving research and analysis in particular fields of economic defense (Tab B). Ten have concerned primarily strategic commodities while six have been in the field of shipping intelligence. The remainder have involved export controls generally. The IWC is now being used as the mechanism through which intelligence studies of the Soviet bloc supply position and strategic uses in the bloc of specific commodities are prepared, reviewed and coordinated.

B. Responsibility: Provide current intelligence to the EDAC in response to specific requests or on its own initiative.

Progress: Either on its own initiative, or at the request of action agencies, the IWC has been instrumental in providing current intelligence to assist action agencies in meeting their current or impending problems of economic defense policy or operations. Of nineteen

- 3 -

~~SECRET~~  
US OFFICIALS ONLY

~~SECRET~~  
Security Information  
US OFFICIALS ONLY

ING/R- (DRAFT)

papers prepared by ING of this nature, fifteen have been significant items of intelligence in the shipping and commodity movement fields contributed by the ONI member for use by EDAC (See Tab C). In addition, several urgent requests by action agencies have been handled under the aegis of the ING directly by analysts in the several intelligence agencies, time not having permitted the matter to be formally placed on the ING agenda for review.

The effort made by ING to establish procedures for the collation of current intelligence for the purpose of providing action agencies with the processed intelligence they require as a basis for preventive and/or remedial action is covered in the statement of progress under subsection D and Tab D, following.

C. Responsibility: Determine the necessity, desirability, and feasibility of obtaining further information or intelligence concerning the subject matter of specific reports or to fill specific gaps, and recommend action by appropriate agencies to meet these needs.

Progress:

1. An ING subgroup was established in response to a specific request of the EIC Subcommittee on Requirements and Facilities for Collation to prepare "a consolidated set of requirements for collection....on East-West trade". This subgroup was instructed to ascertain existing guidance to collection agencies, formulate recommendations for

~~SECRET~~  
US OFFICIALS ONLY

~~SECRET~~  
Security Information  
US OFFICIALS ONLY

ING/R- (DRAFT)

over-all priority requirements for collection, identify critical deficiencies in fulfilling such requirements, and make appropriate corrective recommendations. (See Section V below).

2. An IN paper, "Report on COCOM Statistical Reporting," pointing out inadequacies and deficiencies in the reporting system, was forwarded to EDAC to be used by that Committee as the basis for the preparation of an instruction to the U.S. Delegate to COCOM.

3. Various agencies have formulated and served detailed collection requirements upon appropriate collection agencies to obtain further information or intelligence concerning the subject matter of specific reports or to fill specific gaps.

D. Responsibility: Arrange for the mobilization of the economic data and analyses relevant to appropriate needs of the EDAC.

Progress: Four principal developments (See Tab D), having a direct or indirect bearing on the above responsibility, were:

1. The establishment in CIA of a unit for the processing of current economic defense intelligence and the collation of such intelligence for use of the operating agencies was recommended. This recommendation was approved and the unit has been set up.

2. Uniform procedures for the production and approval for release of ING papers were established.

3. Preparation of instructions to the field for the lateral distribution of current intelligence on suspected diversion of

- 5 -

~~SECRET~~  
US OFFICIALS ONLY

~~SECRET~~  
Security Information  
US OFFICIALS ONLY

ING/R- (DRAFT)

controlled commodities to the Soviet bloc was coordinated through the ING.

4. A memorandum was directed to appropriate officials of SOVMAT and JNIA listing four categories of information about Soviet bloc equipment that is of significance to the ING and the EDAC agencies, and requesting distribution to ING of all analyses falling within those categories.

V. Major Problems and Objectives

A. Statement of U.S. Policy Pertinent to ING Activities

The new U.S. policy directive in the field of economic defense serves to guide EDAC and ING activities in the coming year. Particularly pertinent are the following objectives requiring intelligence support as outlined in this directive: (1) Improve the availability and utilization of current intelligence in matters relating to enforcement of controls which have been agreed by the free world; (2) Develop ancillary measures, including control over transit trade and transshipment, free port activities, financial controls, and blacklisting, to improve implementation and enforcement of agreed control systems, particularly, control over strategic commodities; (3) Review the strategic rating of commodities, extending the control lists only where justified by new technology, intelligence or strategic evaluation.

- 5 -

~~SECRET~~  
US OFFICIALS ONLY

~~SECRET~~  
Security Information  
US OFFICIALS ONLY

INW/R- (DRAFT)

B. Discharge of INW Responsibilities under New Policy

1. To provide the intelligence support essential to the implementation of the new U.S. policy, the INW must intensify its efforts to make current economic defense intelligence available to action agencies. A major forward step has been the creation, at the request of INW, of the current intelligence unit within CIA. This unit cannot operate at maximum effectiveness, however, unless ways are found to assign higher priorities to the collection of information relevant to economic defense. It may be appropriate for the INW to inquire into the causes of delay in the transmission, reproduction, and dissemination of raw East-West trade information. Approval and implementation of proposed instructions for lateral dissemination of East-West trade information in the field would facilitate the prevention of trade control violations.

2. The tightening of the criteria for the selection of commodities which contribute significantly to the Soviet bloc war potential will place an additional work load of commodity review and analysis upon the INW. It will require continual vigilance on the part of the intelligence agencies in the detection of changing economic vulnerabilities within the bloc. The extent of this work load will be dependent upon the outcome of the programs being developed by the action agencies having responsibilities under this new policy directive.

- 7 -

~~SECRET~~  
US OFFICIALS ONLY

~~SECRET~~  
Security Information  
US OFFICIALS ONLY

ING/R- (DRAFT)

3. The full potential of the ING has not been utilized by direct requests for intelligence support from action agencies or working groups of the EDAC structure. ING/AN-8, distributed in EDAC as EDAC D-48, establishes a mechanism by which EDAC agencies (and working groups within the EDAC-ACEP structure) may request direct intelligence support from the ING. These established procedures are assisting the action agencies and interagency work groups in drawing upon the ING facilities. In furthering this effort to maximize the contribution of the ING as the focal point of intelligence support for economic defense, CIA is now putting through the Group for review and coordination most of its intelligence, including commodity analyses, which formerly went through other working groups. It is hoped that the objective of realizing the full potential of the ING will be reached during the coming year.

- 3 -

~~SECRET~~  
US OFFICIALS ONLY